

HOUSE BILL REPORT

SB 5787

As Passed House:

March 4, 2022

Title: An act relating to the linked deposit program.

Brief Description: Concerning the linked deposit program.

Sponsors: Senators Nguyen, Dhingra, Frockt, Keiser, Kuderer, Liias, Lovick, Nobles and Pedersen; by request of State Treasurer.

Brief History:

Committee Activity:

Consumer Protection & Business: 2/21/22, 2/23/22 [DP].

Floor Activity:

Passed House: 3/4/22, 96-2.

Brief Summary of Bill

- Renames the Time Certificate of Deposit Investment Program as the Surplus Funds Investment Program.
- Permits the Office of the State Treasurer to expand the types of investments used to invest short-term surplus funds.

HOUSE COMMITTEE ON CONSUMER PROTECTION & BUSINESS

Majority Report: Do pass. Signed by 7 members: Representatives Kirby, Chair; Walen, Vice Chair; Vick, Ranking Minority Member; Dufault, Assistant Ranking Minority Member; Corry, Ryu and Santos.

Staff: Michelle Rusk (786-7153).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Time Certificate of Deposit Investment Program.

State law provides a procedure for managing short-term treasury surplus funds by the State Treasurer (Treasurer) in order to ensure a maximum return while they are on deposit in public depositories. The objectives of the procedures are to minimize non-interest earning demand deposits and provide fair compensation to financial institutions for services rendered to the state through the investment of state funds in time deposits.

To that end, the Treasurer is required to make certain surplus funds available for a Time Certificate of Deposit Investment Program (TCD Program), which funds must be available for deposit in qualified public depositories in accordance with statute. As part of administering the TCD Program, the Treasurer retains certain discretion over the amount of surplus funds invested in certificates of deposit (CDs), including if the amount of funds allocated for investment in CDs may impair the cash flow needs of the State Treasury. The Treasurer must publish a list of CD allocations in the Treasurer's monthly financial report.

Linked Deposit Program.

Of all funds available under the TCD Program, the Treasurer may use up to \$190 million for the Linked Deposit Program (Program). Program funds are deposited in public depositories as CDs on the condition that the public depository make qualifying loans, which are loans to certified minority-owned, women-owned, or veteran-owned businesses of up to \$1 million and no more than a 10-year term.

Under the Program, up to \$15 million per year is provided for veteran-owned businesses, with the remaining \$175 million allocated to minority-owned and women-owned businesses. The Treasurer may purchase a CD equal to the amount of one qualifying loan or may purchase a CD equal to the aggregate amount of two or more qualifying loans.

Summary of Bill:

Surplus Funds Investment Program.

The TCD Program is renamed as the Surplus Funds Investment Program. The Treasurer must publish a list of surplus funds investment allocations in the Treasurer's monthly financial report and is no longer limited to investing in CDs. Deposits and interest accrued through the Surplus Funds Investment Program must be protected against loss according to the procedures in the Public Funds—Deposits and Investments statute.

Linked Deposit Program.

The financial instruments that the Treasurer may purchase to facilitate qualifying loans under the Program are expanded to include investment instruments in addition to CDs.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill proposes a technical, statutory adjustment to grant the Treasurer additional flexibility in managing the Program, keeping key banking partners engaged and providing for the continued success of the program. The Treasurer is only authorized to purchase certificates of deposit for the Program, and key partners have indicated that flexibility regarding how the funds are deposited would reduce their operational burdens, in light of the low interest rate environment. These changes help maintain the health of the Program. The Treasurer plans to use a deposit account, as opposed to CDs, so the Treasurer's office is essentially depositing funds with a bank, and then the bank lends those funds to the women-, minority-, or veteran-owned businesses.

(Opposed) None.

Persons Testifying: Senator Joe Nguyen, prime sponsor; James Rosenkoetter, Washington State Treasurer's Office; and Trent House, Washington Bankers Association.

Persons Signed In To Testify But Not Testifying: None.